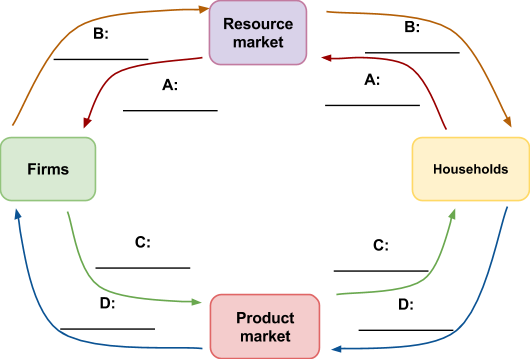
**1.0 Introduction to Economics**

*The Circular Flow*

**Directions:** Answer the questions below

1. Fill in the blank lines on the circular flow model below.



1. Identify the missing components of the circular flow model above.

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| A.  B.  C.  D. |

1. In the resource market:
   1. What is the role of firms?

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* 1. What is the households?

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1. In the product market:
   1. What is the role of firms?

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* 1. What is the role of households?

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1. Give three examples of resource markets:

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| 1.  2.  3. |

1. Give three examples of product markets:

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| 1.  2.  3. |

1. What determines the amount of income a household will earn in the resource market? Why do some households earn higher incomes than others?

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1. What determines the amount of money a firm will earn in the product market? Why do some firms earn so much more money than others in a market economy?

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1. What is the goal of a household in a market economy? Based on this simple goal, what is the best way for a household to achieve it?

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1. What is the goal of a firm in a market economy? How can a firm best achieve this goal?

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1. What makes the exchanges that take place in a market economy “mutually beneficial”?

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1. What role does money play in the circular flow model?

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1. What role do prices play in the circular flow model?

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1. What role or roles do you think the government should play in a free market economy?

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1. What would happen to the circular flow of a nation’s economy if the nation opened up to free, international trade with the rest of the world?

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